

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2018-7-G - ORDER NO. 2018-679

OCTOBER 3, 2018

IN RE: Application of Piedmont Natural Gas	)	INITIAL ORDER
Company, Incorporated to Have the Terms of	)	APPROVING
the Natural Gas Rate Stabilization Act Apply	)	QUARTERLY
to the Company's Rates and Charges for Gas	)	MONITORING REPORT
Distribution Services	)	AND ADOPTING
	)	SETTLEMENT
	)	AGREEMENT

This matter comes before the Public Service Commission of South Carolina (the “Commission”) pursuant to S.C. Code Ann. §§ 58-5-400 *et seq.*, the Natural Gas Rate Stabilization Act (“Act”), as related to Piedmont Natural Gas Company, Inc. (“Piedmont” or the “Company”). Order No. 2005-491 established a baseline return on equity for the Company under the Act, based on the Company’s last rate case. *See* Order No. 2002-761. Section 58-5-455 sets out a procedure for the handling of monitoring reports under the Act related to the quarter ending March 31, which we detailed in Order No. 2005-491 at page 5.

Briefly, under Section 58-5-455, the Company files the monitoring report with the Commission and the Office of Regulatory Staff (“ORS”). Interested parties may comment on the report. Where it appears to the Commission or ORS that an adjustment in rates may be warranted, ORS shall conduct an audit of the monitoring report and specify any changes that it determines are necessary to correct errors in the report or to otherwise bring the report into compliance with the statute. Parties may comment on the ORS audit. On or

before October 15, the Commission shall issue an initial order setting forth any changes required in the utility's request to adjust rates under the statute. Any gas rate adjustments authorized under the terms of the statute shall take effect for all bills rendered on or after the first billing cycle of November of that year. This present Order is the "initial order" contemplated by S.C. Code Ann. Section 58-5-455 for Piedmont.

Pursuant to the South Carolina Natural Gas Rate Stabilization Act, Piedmont submitted its quarterly monitoring report for the twelve-month period ending March 31, 2018, as well as the required revenue calculations and any proposed changes to its tariff rates necessary to permit Piedmont the opportunity to earn the rate of return on common equity established in its last general rate case as specified in Section 58-5-420(1).

The ORS conducted a review of Piedmont's Monitoring Report for the twelve-month period ending March 31, 2018, to evaluate compliance with Section 58-5-430 and Section 58-5-440 of the Act. The ORS proposed certain adjustments to reported amounts to bring the report into conformance with those sections. Piedmont filed written comments advising the Commission that Piedmont had no objection to or comments on the findings and adjustments reflected in the ORS Audit Report.

A Settlement Agreement was reached by and among Piedmont and ORS (collectively, the Parties). The complete text of the Settlement Agreement and exhibits attached to the Settlement Agreement may be found in the Commission's Docket Management System under Docket No. 2018-7-G, Document ID No. 278254. Under the terms of the Settlement Agreement, attached hereto as Order Exhibit 1, Piedmont will implement rates for the twelve-month period beginning with the first billing cycle of

November 2018, calculated on the basis of a 10.2% return on equity (“ROE”), instead of the 12.6% ROE approved by Commission Order Nos. 2002-761, 2005-491, and 2005-567. The Parties agree that Piedmont will adopt the accounting adjustments of ORS as set forth in Schedule 2 attached to the Settlement Agreement. The Parties further agree that, based upon the accounting adjustments proposed by ORS and adopted by Piedmont, and the agreement of Piedmont to implement rates based upon a 10.2% ROE, South Carolina ratepayers will realize a decrease in current margin rates totaling \$(13,855,623). The Settlement Agreement states that this equates to a reduction of \$(5,787,901) for South Carolina ratepayers when compared to rates calculated on Piedmont’s authorized 12.6% ROE, which was authorized by Commission Order Nos. 2002-761, 2005-491, and 2005-567. The Parties further agree to a decrease in demand cost of \$(2,118,799) due to a demand cost over-recovery. We have examined the accounting and pro forma adjustments proposed and agreed upon by the Parties, as well as the Settlement Agreement, and we take no exception to them.

### **FINDINGS AND CONCLUSIONS**

1. S.C. Code Ann. Section 58-5-455, a portion of the Natural Gas Rate Stabilization Act, requires the filing of certain documents and the issuance of this Initial Order.
2. Changes are required to the Company’s request to adjust rates.
3. ORS has suggested certain changes to which Piedmont does not object, as outlined above. Indeed, the Parties have reached a Settlement Agreement.

4. This Commission has found no other changes appropriate or necessary other than those agreed to by the Parties.

5. The Settlement Agreement is approved. This Commission adopts the changes and adjustments proposed by the Parties and the resulting rates and charges.

6. The new approved rates and charges shall be effective for bills rendered on and after the first billing cycle in November 2018, subject to changes under the Company's Gas Cost Recovery Mechanism.

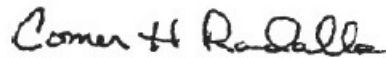
7. If it has not already done so by the date of issuance of this Order, the Company shall file its revised tariff utilizing the Commission's e-filing system for tariffs prior to its first billing cycle in November 2018. The revised tariff should be electronically filed in a text searchable PDF format using the Commission's DMS System (<http://dms.psc.sc.gov>). An additional copy should be sent via email to [etariff@psc.sc.gov](mailto:etariff@psc.sc.gov) to be included in the Commission's ETariff System (<http://etariff.psc.sc.gov>). Future revisions to the tariff should be made using the ETariff System. Each tariff sheet shall contain a reference to this Order and its effective date at the bottom of each page. The revised tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations, as well as the provisions of the Settlement Agreement.

8. Piedmont shall provide a reconciliation of each tariff rate change approved as a result of this Order to each tariff rate revision filed in the ETariff system. Such reconciliation shall include an explanation of any differences and be submitted separately from the Company's ETariff system filing.

9. If it has not already done so by the date of issuance of this Order, the Company shall file a schedule showing the revenue produced by each and every tariffed rate approved by the Commission and reconcile the revenue produced, by tariffed rate, to the revenue requirement approved in this Order.

10. This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:



Comer H. "Randy" Randall, Chairman

ATTEST:



Jocelyn Boyd, Chief Clerk/Administrator

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2018-7-G**

IN RE: Application of Piedmont Natural Gas Company, )  
Incorporated to Have the Terms of the Natural Gas ) **SETTLEMENT**  
Rate Stabilization Act Apply to the Company's ) **AGREEMENT**  
Rates and Charges for Gas Distribution Services )

This Settlement Agreement is made by and among the South Carolina Office of Regulatory Staff (“ORS”) and Piedmont Natural Gas Company, Inc. (“PNG” or the “Company”) (collectively referred to as the “Parties” or sometimes individually as a “Party”).

WHEREAS, by Public Service Commission of South Carolina (“Commission”) Order Nos. 2005-491 and 2005-567, dated September 28, 2005 and October 13, 2005, respectively, the Commission established a baseline for PNG under the Natural Gas Rate Stabilization Act (the “RSA”) and approved certain accounting adjustments proposed by ORS and PNG;

WHEREAS, pursuant to S.C. Code Ann. § 58-5-455 (2015), PNG filed its Quarterly Monitoring Report and Proposed Rate Changes with the Commission on June 15, 2018 for the review period consisting of April 1, 2017 through March 31, 2018 (“Review Period”);

WHEREAS, the Report of ORS’s examination of PNG’s Monitoring Report for the Twelve-Month Period Ended March 31, 2018 pursuant to the RSA, was filed with the Commission on August 31, 2018;

WHEREAS, the Parties to this Settlement Agreement are the only parties of record in the above-captioned docket;

WHEREAS, the Parties have engaged in discussions to determine if a settlement of this proceeding would be in their best interest; and,

WHEREAS, following those discussions, the Parties have each determined that their interests, and ORS has determined that the public interest, would be best served by settling the above-captioned case under the terms and conditions set forth below:

1. PNG will implement rates for the twelve-month period beginning with the first billing cycle of November 2018 calculated on the basis of a 10.2% Return on Equity ("ROE") instead of the 12.6% ROE approved by Commission Orders No. 2002-761, 2005-491, and 2005-567.

2. The Parties agree that the following are the only attachments to this Settlement Agreement: Settlement Schedule 1 (Net Operating Income and Rate of Return); Settlement Schedule 2 (Explanations of Accounting and Pro Forma Adjustments); and Settlement Schedule 3 (Weighted Cost of Capital).

3. The Parties agree that PNG will adopt the accounting adjustments of ORS as set forth in Settlement Schedule 2 as attached to this Settlement Agreement.

4. The Parties agree that, based upon the accounting adjustments proposed by ORS and adopted by PNG, a Debt/Equity Ratio of 47/53, and the agreement of PNG to implement rates based on a 10.2% ROE, South Carolina ratepayers will realize a decrease in current margin rates totaling \$13,855,623. This equates to a reduction of \$5,787,901 for South Carolina ratepayers when compared to rates calculated at the authorized 12.6% ROE.

5. The Parties agree to a decrease in demand cost of \$2,118,799, due to a demand cost over-recovery.

6. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable, and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

7. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair their arguments or positions in future proceedings. Should the Commission decline to approve this Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from this Settlement Agreement without penalty.

8. This Settlement Agreement shall be interpreted according to South Carolina law.

9. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any Party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

**[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]**



**Representing the South Carolina Office of Regulatory Staff**



Jeffrey M. Nelson, Esquire

Chief Legal Officer

**South Carolina Office of Regulatory Staff**

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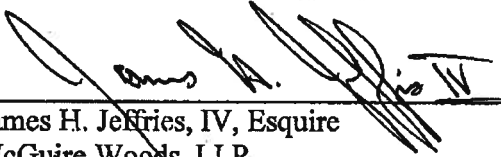
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**Representing Piedmont Natural Gas Company, Inc.**



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Order Exhibit 1  
Docket No. 2018-7-G  
Order No. 2018-679  
October 3, 2018  
Page 6 of 12

Settlement Schedule 1

**Piedmont Natural Gas Company**  
**South Carolina Operations**  
**Net Operating Income and Rate of Return**  
**For the Twelve-Month Period Ended March 31, 2018**  
**Docket No. 2018-7-G**

	(1) Per Regulatory Books	(2) ORS Accounting and Pro Forma Adjustments	(3) ORS As Adjusted	(4) Adjustments for Proposed Margin Decrease	(4A) Adjustments for 2017 Tax Act	(5) Adjustments for Demand Cost Under(Over) Recovery	(6) Total After Proposed Rates
<b><u>Operating Revenues</u></b>							
1 Sale and Transportation of Gas	\$ 160,372,960	\$ 271,263	(1) \$ 160,644,223	\$ (7,650,527)	(11) \$ (6,205,096)	(17) \$ (2,134,959)	(22) \$ 144,653,641
2 Other Operating Revenues	687,112	0	687,112	0	0	0	687,112
3 Total Operating Revenues	161,060,072	271,263	161,331,335	(7,650,527)	(6,205,096)	(2,134,959)	145,340,753
<b><u>Operating Expenses</u></b>							
4 Cost of Gas	72,167,684	(5,342,292)	(2) 66,825,392	0	0	(2,118,799)	(23) 64,706,593
5 Operations and Maintenance	30,221,417	(1,768,211)	(3) 28,453,206	(19,096)	(12) (936,045)	(18) (5,329)	(24) 27,492,736
6 Depreciation	13,024,590	1,735,365	(4) 14,759,955	0	0	0	14,759,955
7 General Taxes	7,017,387	(63,784)	(5) 6,953,603	(38,811)	(13) (31,478)	(19) (10,831)	(25) 6,872,483
8 State Income Taxes	(759,238)	2,616,613	(6) 1,857,375	(379,631)	(14) (261,878)	(20) 0	1,215,866
9 Federal Income Taxes	8,549,869	3,801,676	(7) 12,351,545	(2,524,546)	(15) (4,975,696)	(21) 0	4,851,303
10 Amortization of Investment Tax Credits	(18,535)	0	(18,535)	0	0	0	(18,535)
11 Total Operating Expenses	130,203,174	979,367	131,182,541	(2,962,084)	(6,205,097)	(2,134,959)	119,880,401
12 Net Operating Income	30,856,898	(708,104)	30,148,794	(4,688,443)	0	0	25,460,352
13 Interest on Customers' Deposits	(75,284)	0	(75,284)	0	0	0	(75,284)
14 Amortization of Debt Redemption Premium	0	0	(8) 0	0	0	0	0
15 Allowance for Funds Used During Construction	377,403	0	377,403	0	0	0	377,403
16 Customer Growth	228,341	(5,240)	(9) 223,101	(34,694)	(16) 0	0	188,407
17 Net Operating Income for Return	\$ 31,387,358	\$ (713,344)	\$ 30,674,014	\$ (4,723,137)	0	0	\$ 25,950,878
<b><u>Rate Base:</u></b>							
18 Plant in Service	\$ 624,060,903	0	\$ 624,060,903				\$ 624,060,903
19 Accumulated Depreciation	(233,405,970)	0	(233,405,970)				(233,405,970)
20 Net Plant in Service	390,654,933	0	390,654,933				390,654,933
Add:							
21 Construction Work in Progress	29,910,156	0	29,910,156				29,910,156
22 Materials and Supplies	7,126,250	0	7,126,250				7,126,250
23 Cash Working Capital	5,103,233	(1,518,136)	(10) 3,585,097				3,585,097
Deduct:							
24 Customers' Advances	0	0	0				0
25 Customers' Deposits	2,278,666	0	2,278,666				2,278,666
26 Accumulated Deferred Income Taxes	87,463,111	0	87,463,111				87,463,111
27 Unclaimed Funds	116,183	0	116,183				116,183
28 Total Rate Base:	\$ 342,936,612	\$ (1,518,136)	\$ 341,418,476				\$ 341,418,476
29 Rate of Return	9.15%		8.98%				7.60%
30 Return on Common Equity	13.13%		12.81%				10.20%

**Piedmont Natural Gas Company**  
**South Carolina Operations**  
**Explanations of Accounting and Pro Forma Adjustments**  
**For the Twelve-Month Period Ended March 31, 2018**  
**Docket No. 2018-7-G**

<u>Line No.</u>	<u>Description</u>	<u>Per Piedmont</u>	<u>Per ORS</u>
<b>1</b>	<b><u>Operating Revenues - Sale and Transportation of Gas</u></b>		
	To adjust revenues on a going-level basis.	\$ (3,209,090)	\$ 271,263
	<b><u>Total Operating Revenues - Sale and Transportation of Gas</u></b>	<u>\$ (3,209,090)</u>	<u>\$ 271,263</u>
<b>2</b>	<b><u>Cost of Gas</u></b>		
	To adjust cost of gas on a going-level basis.	\$ (6,492,809)	\$ (5,342,292)
	<b><u>Total Cost of Gas</u></b>	<u>\$ (6,492,809)</u>	<u>\$ (5,342,292)</u>
<b>3</b>	<b><u>Operations and Maintenance Expenses</u></b>		
a.	To adjust payroll expense to the going-level basis.	\$ 269,768	\$ 251,612
b.	To adjust expenses for the employee retirement and welfare benefits.	(524,160)	(507,150)
c.	To adjust uncollectible gas margin utilizing the applicable uncollectible rate of .24961%.	(15,896)	(7,202)
d.	To decrease expenses for allocations to non-utility activities.	(14,661)	(14,661)
e.	To decrease expenses for equity incentive plans (formerly LTIP).	(99,023)	(262,650)
f.	To decrease expenses for the short term incentive (formerly MVP & STIP).	(11,247)	(815,822)
g.	To adjust expenses for lease adjustments.	666,701	378,394
h.	To adjust expenses for the South Carolina assessment fee.	(19,451)	(31,613)
i.	To decrease expenses for non-allowables for ratemaking purposes.	(437,597)	(850,000)
j.	To adjust expenses for Gas Technology Institute (GTI) expense.	0	0
k.	To adjust expenses for amortization of SC environmental expense.	121,024	118,041
l.	To adjust lease allocation expense for leases booked to corporate that should have been allocated to the appropriate states.	(27,160)	(27,160)
	<b><u>Total Operations and Maintenance Expense</u></b>	<u>\$ (91,702)</u>	<u>\$ (1,768,211)</u>

**Piedmont Natural Gas Company**  
**South Carolina Operations**  
**Explanations of Accounting and Pro Forma Adjustments**  
**For the Twelve-Month Period Ended March 31, 2018**  
**Docket No. 2018-7-G**

<u>Line No.</u>	<u>Description</u>	<u>Per Piedmont</u>	<u>Per ORS</u>
<b>4</b>	<b><u>Depreciation Expense</u></b>		
	To adjust depreciation expense on a going-level basis using the most current depreciation study rates.	\$ 1,735,365	\$ 1,735,365
	<b><u>Total Depreciation Expense</u></b>	<u>\$ 1,735,365</u>	<u>\$ 1,735,365</u>
<b>5</b>	<b><u>General Taxes</u></b>		
	a. To allocate the appropriate amount of property tax applicable to South Carolina operations.	\$ (1,137)	\$ (1,137)
	b. To adjust payroll tax expense.	\$ 9,066	\$ (64,023)
	c. To adjust the utility license fee (rate of .3%) and gross receipts tax (rate of .2072986%) for the adjustment made to revenues on a going-level basis.	\$ (16,686)	\$ 1,376
	<b><u>Total General Taxes</u></b>	<u>\$ (8,757)</u>	<u>\$ (63,784)</u>
<b>6</b>	<b><u>State Income Taxes</u></b>		
	To adjust state income taxes (rate of 5%) to reflect the impact on income for accounting and pro forma adjustments.	\$ 2,413,315	\$ 2,616,613
	<b><u>Total State Income Taxes</u></b>	<u>\$ 2,413,315</u>	<u>\$ 2,616,613</u>
<b>7</b>	<b><u>Federal Income Taxes</u></b>		
	To adjust federal income taxes (rate of 35%) to reflect the impact on income for accounting and pro forma adjustments.	\$ 2,449,740	\$ 3,801,676
	<b><u>Total Federal Income Taxes</u></b>	<u>\$ 2,449,740</u>	<u>\$ 3,801,676</u>
<b>8</b>	<b><u>Amortization of Debt Redemption Premium</u></b>		
	To adjust net operating income for amortization of debt redemption premium.	\$ 0	\$ 0
	<b><u>Total Amortization of Debt Redemption Premium</u></b>	<u>\$ 0</u>	<u>\$ 0</u>
<b>9</b>	<b><u>Customer Growth</u></b>		
	To adjust net operating income to reflect an anticipated increase in customer growth (rate of .74%) for the adjustments to operating revenues and expenses.	\$ (23,785)	\$ (5,240)
	<b><u>Total Customer Growth</u></b>	<u>\$ (23,785)</u>	<u>\$ (5,240)</u>

**Piedmont Natural Gas Company  
South Carolina Operations  
Explanations of Accounting and Pro Forma Adjustments  
For the Twelve-Month Period Ended March 31, 2018  
Docket No. 2018-7-G**

<u>Line No.</u>	<u>Description</u>	<u>Per Piedmont</u>	<u>Per ORS</u>
<b>10</b>	<b><u>Cash Working Capital</u></b>		
a.	To decrease average tax accruals to zero due to a positive balance as of March 31, 2018.	(1,182,040)	(1,182,040)
b.	To adjust cash working capital to reflect the pro forma adjustments to operation and maintenance expenses (rate of 12.5%).	\$ (126,532)	\$ (336,096)
	<b><u>Total Cash Working Capital</u></b>	<b><u>\$ (1,308,572)</u></b>	<b><u>\$ (1,518,136)</u></b>
<b>11</b>	<b><u>Operating Revenues - Sale and Transportation of Gas</u></b>		
	To adjust revenues from the sale and transportation of gas for the proposed margin decrease. ORS has recalculated this adjustment utilizing all ORS adjustments to operating experience.	\$ 3,504,044	\$ (7,650,527)
	<b><u>Total Operating Revenues - Sale and Transportation of Gas</u></b>	<b><u>\$ 3,504,044</u></b>	<b><u>\$ (7,650,527)</u></b>
<b>12</b>	<b><u>Operations and Maintenance Expenses</u></b>		
	To adjust the provision for uncollectible accounts (.24961%) for the proposed margin decrease.	\$ 8,746	\$ (19,096)
	<b><u>Total Operations and Maintenance Expenses</u></b>	<b><u>\$ 8,746</u></b>	<b><u>\$ (19,096)</u></b>
<b>13</b>	<b><u>General Taxes</u></b>		
	To adjust the utility license fee (rate of .3%) and gross receipts tax (rate of .2072986%) for the proposed margin decrease.	\$ 18,220	\$ (38,811)
	<b><u>Total General Taxes</u></b>	<b><u>\$ 18,220</u></b>	<b><u>\$ (38,811)</u></b>
<b>14</b>	<b><u>State Income Taxes</u></b>		
	To adjust state income taxes (rate of 5%) to reflect the impact on income from the proposed margin decrease.	\$ 173,854	\$ (379,631)
	<b><u>Total State Income Taxes</u></b>	<b><u>\$ 173,854</u></b>	<b><u>\$ (379,631)</u></b>
<b>15</b>	<b><u>Federal Income Taxes</u></b>		
	To adjust federal income taxes (rate of 35%) to reflect the impact on income from the proposed margin decrease.	\$ 1,156,128	\$ (2,524,546)
	<b><u>Total Federal Income Taxes</u></b>	<b><u>\$ 1,156,128</u></b>	<b><u>\$ (2,524,546)</u></b>

**Piedmont Natural Gas Company**  
**South Carolina Operations**  
**Explanations of Accounting and Pro Forma Adjustments**  
**For the Twelve-Month Period Ended March 31, 2018**  
**Docket No. 2018-7-G**

<u>Line No.</u>	<u>Description</u>	<u>Per Piedmont</u>	<u>Per ORS</u>
16	<b><u>Customer Growth</u></b>		
	To adjust net operating income to reflect an anticipated customer growth (rate of .74%) for the proposed margin decrease.	\$ 15,889	\$ (34,694)
	<b><u>Total Customer Growth</u></b>	<u>\$ 15,889</u>	<u>\$ (34,694)</u>
17	<b><u>Operating Revenues - Sale and Transportation of Gas</u></b>		
	To decrease the revenue requirement for the sale and transportation of gas due to the impacts of the 2017 Tax Cuts and Jobs Act.	\$ (7,456,682)	\$ (6,205,096)
	<b><u>Total Operating Revenues - Sale and Transportation of Gas</u></b>	<u>\$ (7,456,682)</u>	<u>\$ (6,205,096)</u>
18	<b><u>Operations and Maintenance Expense</u></b>		
a.	To decrease expenses for the 2017 tax reform EDIT giveback to customers.	\$ (920,556)	\$ (920,556)
b.	To decrease the provision for uncollectible accounts (rate of .24961%) following adjustment 17.	(18,612)	(15,489)
	<b><u>Total Operations and Maintenance Expense</u></b>	<u>\$ (939,168)</u>	<u>\$ (936,045)</u>
19	<b><u>General Taxes</u></b>		
	To adjust the utility license fee (rate of .3%) and gross receipts tax (rate of .2072986%) for the adjustment to revenue for the 2017 Tax Cuts and Jobs Act.	\$ (38,773)	\$ (31,478)
	<b><u>Total General Taxes</u></b>	<u>\$ (38,773)</u>	<u>\$ (31,478)</u>
20	<b><u>State Income Taxes</u></b>		
	To adjust state income taxes (rate of 5%) to reflect the impact on income from adjustments 17 through 19.	\$ (323,938)	\$ (261,878)
	<b><u>Total State Income Taxes</u></b>	<u>\$ (323,938)</u>	<u>\$ (261,878)</u>
21	<b><u>Federal Income Taxes</u></b>		
	To adjust federal income taxes (rate of 21%) to reflect the impact on income from adjustments 17 through 20.	\$ (6,154,803)	\$ (4,975,696)
	<b><u>Total Federal Income Taxes</u></b>	<u>\$ (6,154,803)</u>	<u>\$ (4,975,696)</u>
22	<b><u>Operating Revenues - Sale and Transportation of Gas</u></b>		
	To decrease the revenue requirement for the sale and transportation of gas associated with demand cost over-recovery.	\$ (1,734,199)	\$ (2,134,959)
	<b><u>Total Operating Revenues - Sale and Transportation of Gas</u></b>	<u>\$ (1,734,199)</u>	<u>\$ (2,134,959)</u>
23	<b><u>Cost of Gas</u></b>		
	To decrease cost of gas for the demand cost over-recovery.	\$ (1,718,197)	\$ (2,118,799)
	<b><u>Total Cost of Gas</u></b>	<u>\$ (1,718,197)</u>	<u>\$ (2,118,799)</u>

**Piedmont Natural Gas Company**  
**South Carolina Operations**  
**Explanations of Accounting and Pro Forma Adjustments**  
**For the Twelve-Month Period Ended March 31, 2018**  
**Docket No. 2018-7-G**

<u>Line No.</u>	<u>Description</u>	<u>Per Piedmont</u>	<u>Per ORS</u>
24	<b><u>Operations and Maintenance Expenses</u></b>		
	To decrease the provision for uncollectible accounts (rate of .24961%) following adjustment 22.	\$ (6,999)	\$ (5,329)
	<b><u>Total Operations and Maintenance Expenses</u></b>	<u>\$ (6,999)</u>	<u>\$ (5,329)</u>
25	<b><u>General Taxes</u></b>		
	To adjust the utility license fee (rate of .3%) and gross receipts tax (rate of .2072986%) following adjustment 22.	\$ (9,003)	\$ (10,831)
	<b><u>Total General Taxes</u></b>	<u>\$ (9,003)</u>	<u>\$ (10,831)</u>



Order Exhibit 1  
Docket No. 2018-7-G  
Order No. 2018-679  
October 3, 2018  
Page 12 of 12

**Piedmont Natural Gas Company**  
**South Carolina Operations**  
**Weighted Cost of Capital**  
**For the Twelve-Month Period Ended March 31, 2018**  
**Docket No. 2018-7-G**

**Settlement Schedule 3**

<u>Description</u>	<u>Capital Structure</u>	<u>Ratio</u>	<u>Regulatory Per Books</u>				<u>ORS As Adjusted</u>				<u>After Proposed Rates</u>			
			<u>Rate Base</u>	<u>Embedded Cost/Return</u>	<u>Overall Cost/Return</u>	<u>Income For Return</u>	<u>Rate Base</u>	<u>Embedded Cost/Return</u>	<u>Overall Cost/Return</u>	<u>Income For Return</u>	<u>Rate Base</u>	<u>Embedded Cost/Return</u>	<u>Overall Cost/Return</u>	<u>Income For Return</u>
Long-Term Debt	1,783,158,316	47.00%	161,180,208	4.67%	2.19%	7,527,116	160,466,684	4.67%	2.19%	7,493,794	160,466,684	4.67%	2.19%	7,493,794
Common Equity	1,772,714,547	53.00%	181,756,404	13.13%	6.96%	23,860,242	180,951,792	12.81%	6.79%	23,180,220	180,951,792	10.20%	5.41%	18,457,084
<b>Total</b>	<b>3,555,872,863</b>	<b>100.00%</b>	<b>342,936,612</b>		<b>9.15%</b>	<b>31,387,358</b>	<b>341,418,476</b>		<b>8.98%</b>	<b>30,674,014</b>	<b>341,418,476</b>		<b>7.60%</b>	<b>25,950,878</b>